

VICTORIA AND GREY TRUST COMPANY

Annual Report 1977



AR45



FINANCIAL HIGHLIGHTS

RESULTS FOR YEAR (000 omitted)	1977	1976	% Increase
Revenue.....	\$ 180,314	\$ 145,207	24.2
Operating Income before Income Taxes.....	21,944	17,903	22.6
Net Operating Income.....	12,209	9,862	23.8
Net Operating Income per Common Share.....	\$3.91	\$3.24	20.7
Net Income.....	12,253	9,879	24.0
Net Income per Common Share.....	\$3.93	\$3.25	20.9

YEAR END POSITION

Mortgages.....	1,662,629	1,382,962	20.2
Deposits.....	286,988	239,773	19.7
Guaranteed Investment Certificates & Debentures.....	1,481,305	1,241,504	19.3
Shareholders' Equity.....	65,198	54,073	20.6
Assets — Company and Guaranteed Funds.....	1,861,789	1,556,752	19.6
Estates, Trusts & Agencies.....	252,358	205,575	22.8

Annual Meeting
Victorian Inn,
Stratford,
Wednesday,
January 11, 1978



Kingston's Saturday morning farm market bustles in the shadow of the city hall, built in 1843 to house Canada's parliament.

To Our Shareholders

The Company has achieved another very successful year.

Total assets, company and guaranteed funds, increased by over \$305 million (19.6%) to over one billion 800 million dollars. Victoria and Grey has maintained its position in the latest listing of financial institutions as the fourth largest trust company in Canada. The figures and references to the "Company" and to "Victoria and Grey" include the Lambton subsidiaries.

The Financial Highlights are shown on the opposite page. Substantial increases are shown in mortgages, deposits and guaranteed investment certificates and debentures.

Eighty-nine percent of our mortgage portfolio is on residential properties. V & G is proud of its important role in financing housing in Ontario and Alberta in 1977. Our arrears position is satisfactory. In the competitive mortgage market which existed during the year, the mortgage officers were careful in maintaining our prudent and long-tested lending policies.

Although growth in the personal loans industry generally was slower in 1977 than in the previous year, Victoria and Grey in its second year of providing life insured personal loans increased its portfolio by over 70% to \$7.4 million. The number of loan customers increased by 81% to 2,900. The arrears position is satisfactory.

Assets administered in the estates, trusts and agencies category increased in 1977 from \$205 million to \$252 million. Greatest growth was again in tax deferral savings plans. Deposits entrusted to us under these plans increased by \$32 million to \$114 million, of which \$104 million were invested in our guaranteed investment certificates. Management continues to concentrate on increasing efficiency while maintaining a personalized service in the administration of estates.

Revenue was \$180,314,000, up 24% from \$145,207,000, and after expenses which also increased by 24%, from \$127,304,000, to \$158,370,000, and after income taxes of \$9,735,000, the net operating income was \$12,209,000 or \$3.91 per common share as compared to \$9,862,000 or \$3.24 per common share last year.

The dividends declared on A and B common shares on November 24, 1977 included the six per cent increase permitted by the Anti-Inflation Board.

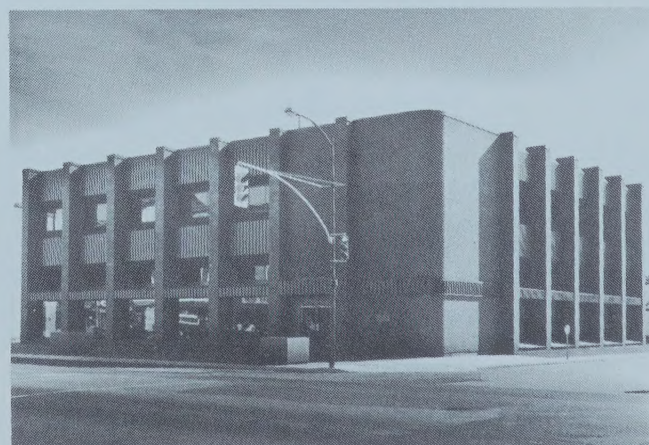
New buildings for founding offices



Owen Sound (top) and Lindsay (bottom) are both rejoicing in the opening of handsome new offices.

Commencing as the Owen Sound Building and Savings Society in April 1889, and subsequently changed to the Grey and Bruce Trust and Savings Company, the enterprise merged in 1950 with Victoria Trust and Savings Company, founded as Victoria Loan and Savings Company Lindsay in 1895. The resulting company was registered as Victoria and Grey Trust Company.

Combining the latest in design and work flow efficiency, both offices are landmarks on their respective main streets.





Colourful and exciting, the International Ploughing Match with its huge tent city and its many thousands of visitors is a tradition in Ontario. This year it was held in Frontenac County.



Carl Stief, Stratford Manager and this year's campaign chairman of the United Way, stands behind the drive banner, surrounded by his campaign workers.



Grey County dairy cows have long been renowned for quality. Here we have the grand and reserve champion females up to get their trophies. Left to right are Doug Ray of Shur Gain, Allan Hill holding his grand reserve prize winner, Don Walton patting his grand champion and, holding the trophy, Lealand Hill of our Owen Sound office.

Branches were opened during the year in Kincardine, London, St. Catharines and Trenton. The downtown office in Camrose was moved to the recently completed, modern shopping mall in that city. New branches will be opened in Lethbridge, Belleville (2nd branch there), Bowmanville, Mount Forest, Port Elgin and Windsor (Lambton) within the next two months. We are moving to a ground floor location in Edmonton where we will have a full savings branch. Our new building in Lindsay will be opened on December 3, 1977 by Mr. Reginald H. Soward, Q.C. and our new building in Owen Sound by the Honourable Walter E. Harris, P.C., Q.C. on December 8th. The Company has taken office premises in Mississauga which will accommodate the Central Region Headquarters now in Willowdale, the Mortgage Department from 197 Bay Street, and certain other personnel.

With the additional branches and expansion of business the administrative structure of the Company will be changed from three regions to four, namely, Eastern, Central, Western and Northern. Management has been careful to limit our expansion to ensure that new offices are served by competent, experienced personnel. We still have sizeable resources of men and women, both experienced and trainees, in V & G ready to fill opportunities for greater responsibility. Our new branches are doing well.

During the year Mr. W. H. Somerville was appointed Executive Vice-President, a position second to the President. The Company also hired Mr. James Hutton, C.A. as Assistant Comptroller, and more recently, Mr. Robert Keller, a very experienced mortgage executive, to a new office "General Manager — Mortgages". Other senior appointments will be made shortly.

During the year, contracts were signed to install an on-line financial system for our Company. The technical experts of the computer company and our personnel, headed by Mr. J. G. Mosley and Mr. G. R. Clayton, are presently and have been for some time working on the implementation.

The installation of an on-line system will allow Victoria and Grey Trust Company to offer new financial services to compete with the banks, credit unions and other trust companies. These services could include such items as automatic teller machines and point of sale terminals. The system would also put the Company in a position to

respond to future changes toward the electronic funds transfer system. All existing employees will be retained, but increased productivity of our employees will allow growth in volume with a minimal growth in staff.

The Directors accepted with deep regret the resignation of the Honourable Walter E. Harris, P.C., Q.C., from the Board. Before joining Victoria and Grey, Mr. Harris had a distinguished career in law, in the Canadian Army, and in politics. While an M.P. he held the rank of Major in the Canadian Armoured Corps and was wounded in action. Mr. Harris was the Minister of Citizenship and Immigration and Minister of Finance in the St. Laurent government. Political writers have stated that Walter Harris enjoyed a greater degree of the Prime Minister's confidence than any other cabinet minister.

Mr. Harris served as President and Chief Executive Officer of the Company for twelve years, and was Chairman of the Board for three years. Under his leadership, Victoria and Grey grew dramatically. He engineered the amalgamation with the British Mortgage Company and acquired the Lambton Companies. And with those two additions, British Mortgage and Lambton, Mr. Harris went on to establish policies which laid the foundation for V & G's continuing profitable growth. Walter Harris was the President who was responsible for the evolution of Victoria and Grey from a relatively small and little known company to one of the major trust companies in Canada.

Mr. Reginald H. Soward, Q.C., D.Cm.L. resigned as Chairman of the Board in June 1977. Mr. Soward's eminent career as a churchman and lawyer is well known. His tenure as Chairman demonstrated his capacity for leadership and his long experience and knowledge of the trust business redounded significantly to the advancement of V & G. Fortunately for Victoria and Grey, Mr. Soward agreed to remain as a Vice-President, a member of the Executive Committee, and Chairman of the Toronto Advisory Board. He will continue to be a very important voice in the policy making of our Company.

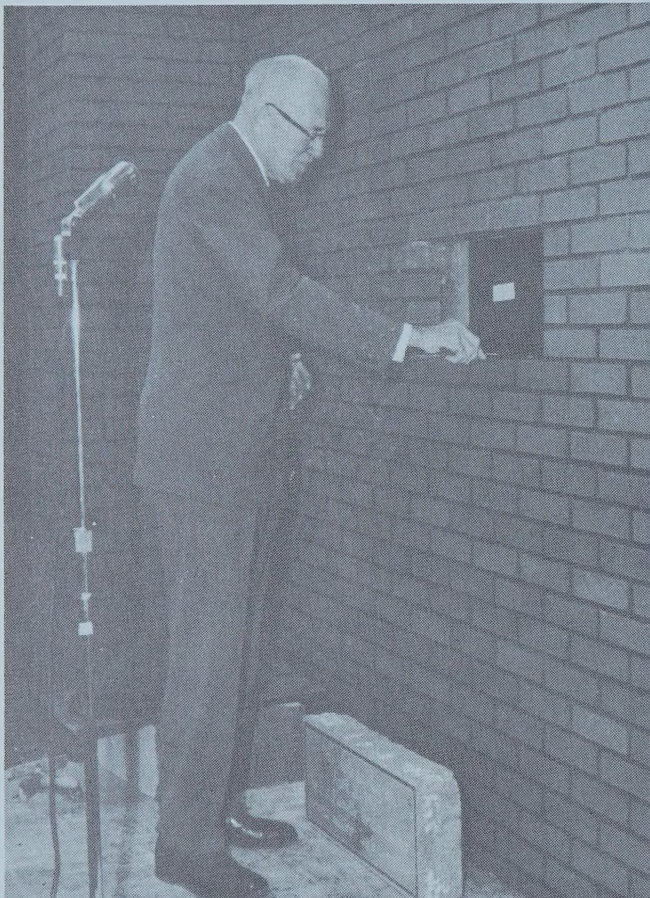
We welcome two new directors, Mr. Donald J. Smith of London, the founder and president of Ellis-Don Limited, and a director of a number of companies and organizations, and our own Bill Somerville. The appointment of Mr. Fred B. Deacon and Mr. Edwin Morton Parker to the



Supporting the Leacock Festival of Humour in Orillia is Branch Manager, Clare Fitzgerald, here handing the Company cheque to Hilda Jacobs while Linda Crawford, Dr. Ralph Richardson and Bruce Waite, Chairman of the campaign, look on.



Heading up the commercial division of Barrie's United Appeal campaign, Victoria and Grey's Mike Benvenuti (right) shares an optimistic smile with the chairman, Lloyd Armstrong.



The late Stuart A. Flavelle, whose family has been represented on the Board of Directors since 1895, lays the cornerstone of the new Lindsay building.



King of the Hobo Luncheon in Belleville, organized to raise funds for the United Way campaign is our Belleville Manager ("Hobo") Cec Brown, President of the Chamber of Commerce. Here's Cec (left) giving the receipt for \$3,000 to Pete Wickemeyer (centre) and Gord Mullin of the campaign committee.

Belleville Advisory Committee, Mr. Walter C. Upshall to the Toronto Advisory Committee, and of Mrs. R. Alison Ghent to the Kingston Advisory Committee, are important additions to those Committees. Our gratitude is extended to Mr. G. A. Morton, Chairman of the Belleville Advisory Committee and Mr. P. Secord, Chairman of the Port Credit Advisory Committee who have resigned, for the fine contribution they have made over the years to the Company's success.

We sincerely regret the passing of Mr. G. A. Freeman of the Belleville Advisory Committee and of Mr. Harry Kress of the Hanover Advisory Board.

To keep pace with our growth and the increasing complexity of our services, Victoria and Grey continues to stress high standards of education and training in every department. Both in-house and external programs receive management's concentrated attention. The excellent opportunities for professional development provided by the Trust Companies Institute are being pursued with enthusiasm and diligence. The Annual Report gives special recognition to Head Office and branch officers who have achieved accreditation from the Trust Companies Institute as Fellows, Members or Associates.

We are deeply saddened by the sudden death on November 26th of Mr. Stuart Flavelle who served with great distinction for so many years as a director and vice-president. He was "Mr. V & G" in Eastern Ontario and will be sorely missed.

The strength of our Company depends upon a management and staff possessing talent and experience which over the years have given pleasing and effective service to our customers and have produced annually the very impressive figures on the bottom line. To our Managers, Accountants, Mortgage Officers, Trust Officers, Tellers, Clerks, Secretaries and to Members of Senior Management, the Directors express their warm appreciation.

As we start another year, and as of the date of this report, gloomy predictions as to the state of the economy abound. In last year's annual report, we worried about unemployment, inflation, the sluggish Canadian and American economies, and National Unity. Those negative factors are also on this year's list, plus a depressed value of the Canadian dollar.

On the brighter side, the Conference Board in Canada predicts for 1978 increases in the Gross

Domestic Product in the two provinces where we do business, an increase in excess of 5 percent in Ontario and more than 5½ percent in Alberta. The announcement that the Canadian economy advanced in real terms at an annual rate of 5.2 percent during the third quarter of 1977 was also favourable news. Part of the pessimistic forecasts undoubtedly stemmed from the poor second quarter of this year. Many economists are now predicting a real growth rate of about 4½ percent for Canada's G.N.P. from the 1977 figure of about 2½ percent.

Housing starts for 1977 are projected at 240,000 and for 1978 a decrease to 225,000, but still a substantial number of housing starts. While it is likely that the mortgage arena will be even more competitive in 1978 than in 1977, we are confident that our employees with their knowledge, experience and drive will keep V & G moving forward as they so often have in the past under trying and tight circumstances. We also expect increases in consumer loans, estates, trusts and agencies, G.I.C.'s and debentures and savings deposits.

Our Company has great opportunities. Our budget for 1978 calls for another successful year.

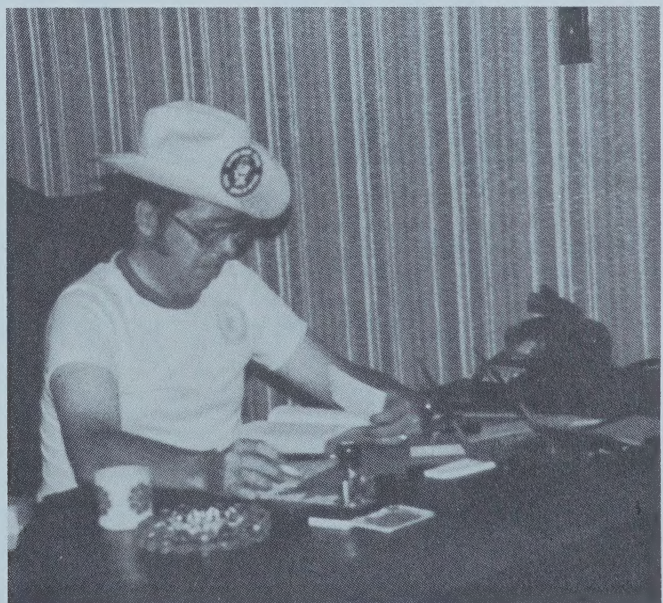
November 30, 1977

C. G. FLEMING
Chairman of the Board

COLIN BENNETT
President



Romaine Ross, Q.C. (left), President of the St. Catharines Chamber of Commerce, receives an advance copy of the 1978 Farmers' Almanac from its Editor, Ray Geiger. Terry Morgan, St. Catharines Branch Manager, welcomed Ray as guest speaker at the meeting of the Chamber. Victoria and Grey provides annually nearly 100,000 free copies of the Farmers' Almanac to its customers.



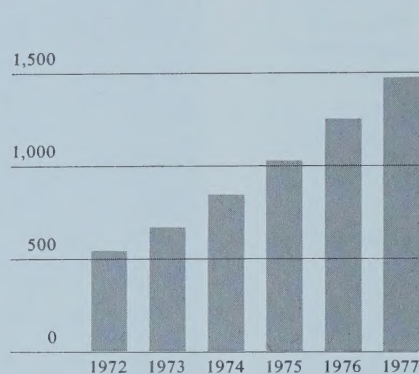
Helping out with the paper work involved in Alliston's Potato Festival calls for work concentration and costume coordination. Here Gord Kraus, our Alliston Manager, demonstrates both.

Our Growth in Graphic Form

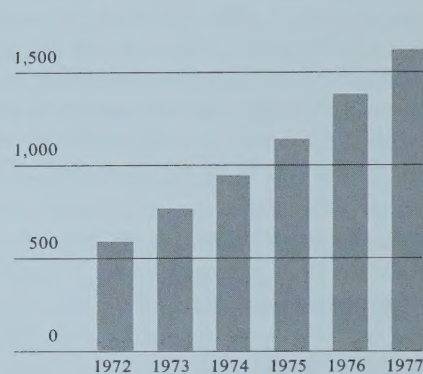
**Total Assets
Company and Guaranteed Funds**
\$ Millions



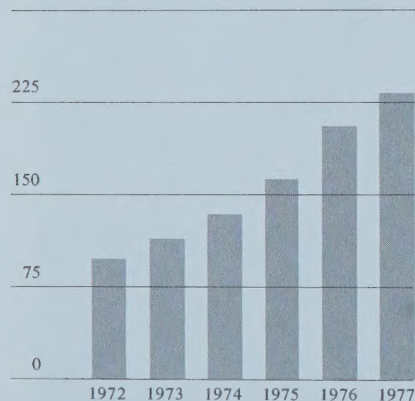
**Guaranteed Investment Certificates
and Debentures**
\$ Millions



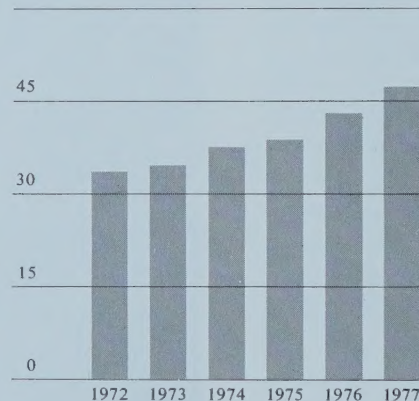
Mortgages
\$ Millions



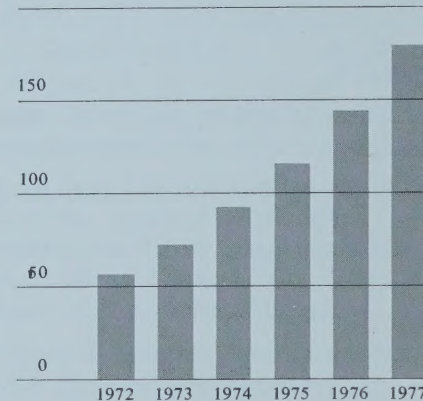
Estates, Trusts and Agencies
\$ Millions



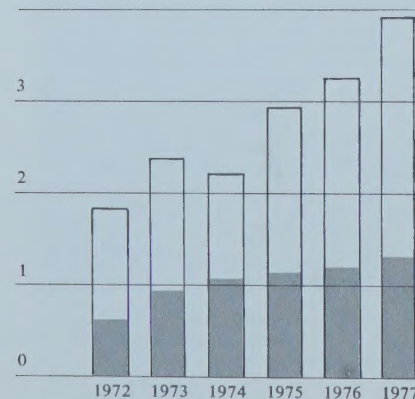
Number of Branch Offices



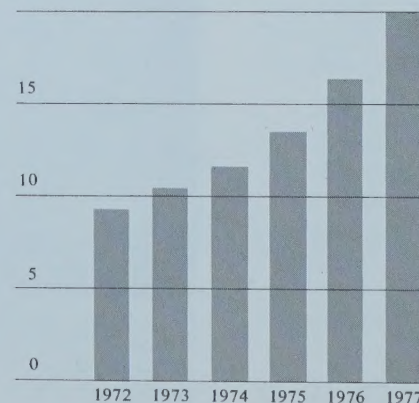
Revenue
\$ Millions



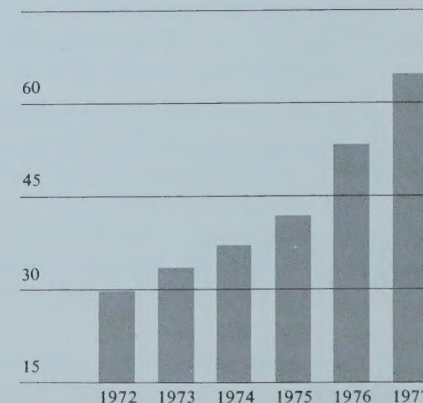
Net Income — Dividends
\$ Per Common Share



**Shareholders Equity
Per Common Share**
\$



Capital, Surplus and Retained Earnings
\$ Millions



Six Year Financial Review

	1977	1976	1975	1974	1973	1972
	(\$000 omitted)					
YEAR END POSITION						
Mortgages.....	\$1,662,629	\$1,382,962	\$1,136,978	\$ 925,999	\$ 768,745	\$ 599,014
Deposits.....	286,988	239,773	212,686	178,586	164,059	149,893
Guaranteed Investment Certificates and Debentures.....	1,481,305	1,241,504	1,021,970	843,578	685,945	528,731
Shareholders' Equity.....	65,198	54,073	42,337	37,510	34,322	30,413
Total Assets — Company and Guaranteed Funds.....	1,861,789	1,556,752	1,295,556	1,072,799	891,409	714,074
Assets held for Estates, Trust and Agencies.....	252,358	205,575	162,214	134,851	114,966	97,867

RESULTS FOR THE YEAR

Revenue.....	180,314	145,207	115,208	92,324	73,070	58,249
Expenses						
Interest.....	141,233	113,920	89,327	71,213	52,257	41,530
Salary & Staff Benefits.....	8,772	7,020	5,614	4,823	3,935	3,224
Property & Other Expenses.....	8,365	6,364	4,637	4,234	4,514	3,775
	<u>158,370</u>	<u>127,304</u>	<u>99,578</u>	<u>80,270</u>	<u>60,706</u>	<u>48,529</u>
Operating income before income taxes.....	21,944	17,903	15,630	12,054	12,364	9,720
Income taxes.....	9,735	8,041	7,298	5,828	5,880	4,460
Net Operating Income.....	12,209	9,862	8,332	6,226	6,484	5,260
Security Gains.....	44	17	33	292	418	63
Net Income.....	<u>\$ 12,253</u>	<u>\$ 9,879</u>	<u>\$ 8,365</u>	<u>\$ 6,518</u>	<u>\$ 6,902</u>	<u>\$ 5,323</u>

NUMBER OF SHARES OUTSTANDING ON OCTOBER 31

Preferred.....	85,394	87,134	89,409	91,909	93,474	95,967
Common.....	3,060,336	3,060,336	2,782,124	2,782,124	2,782,124	2,782,124

STATISTICS PER COMMON SHARE*

Net Operating Income.....	\$ 3.91	\$ 3.24	\$ 2.91	\$ 2.15	\$ 2.24	\$ 1.80
Net Income.....	3.93	3.25	2.92	2.25	2.39	1.82
Dividends.....	1.296	1.20	1.14	1.08	.94	.66
Shareholders' Equity.....	19.91	16.25	13.61	11.83	10.66	9.21

*Note: Statistics for 1971 are revised to reflect 2:1 stock split February 16, 1972.

Consolidated Balance Sheet

as at October 31, 1977

with comparative figures as at October 31, 1976

ASSETS	1977	1976
Cash and term deposits.....	\$ 35,913,000	\$ 7,128,000
Secured call loans.....	12,368,000	27,519,000
Securities (note 2)		
Bonds.....	91,409,000	94,996,000
Stocks.....	23,746,000	16,918,000
	<u>115,155,000</u>	<u>111,914,000</u>
Loans		
Advances to estates and trusts.....	44,000	54,000
Consumer loans.....	10,904,000	7,181,000
Collateral loans.....	13,063,000	11,995,000
Mortgages.....	<u>1,662,629,000</u>	<u>1,382,962,000</u>
	<u>1,686,640,000</u>	<u>1,402,192,000</u>
Income taxes recoverable.....		1,476,000
Office premises and equipment (notes 1(d) and 6).....	11,302,000	6,366,000
Other assets.....	<u>411,000</u>	<u>157,000</u>
	<u>\$1,861,789,000</u>	<u>\$1,556,752,000</u>

Approved on behalf of the Board

C. G. FLEMING, Chairman of the Board

COLIN E. BENNETT, President

LIABILITIES

	1977	1976
Guaranteed deposits (note 3)		
Deposits.....	\$ 286,988,000	\$ 239,773,000
Guaranteed investment certificates and debentures.....	1,481,305,000	1,241,504,000
	<u>1,768,293,000</u>	<u>1,481,277,000</u>
Other liabilities		
Accounts payable.....	122,000	58,000
Subordinated notes payable.....	8,115,000	7,110,000
Income taxes payable.....	5,289,000	
Deferred revenue.....	1,647,000	345,000
	<u>15,173,000</u>	<u>7,513,000</u>
Deferred income taxes.....	13,091,000	13,859,000
Minority interest in subsidiary companies.....	34,000	30,000

SHAREHOLDERS' EQUITY

Capital stock (note 4)	7,330,000	7,417,0000
Contributed surplus (note 5).....	6,493,000	6,493,000
Appraisal surplus (note 6).....	3,154,000	
Retained earnings (note 5).....	48,221,000	40,163,000
	<u>65,198,000</u>	<u>54,073,000</u>
	<u>\$1,861,789,000</u>	<u>\$1,556,752,000</u>

AUDITORS' REPORT

To the Shareholders of
Victoria and Grey Trust Company:

We have examined the consolidated balance sheet of Victoria and Grey Trust Company as at October 31, 1977 and the consolidated statements of revenue and expenses, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and explanations given to us and as shown by the books of the company, these consolidated financial statements present fairly the financial position of the company as at October 31, 1977 and the results of its operations and changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

Lindsay, Ontario,
November 18, 1977.

Gaviller & Company
Chartered Accountants

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated Statement of Revenue and Expenses for the year ended October 31, 1977

with comparative figures for the year ended October 31, 1976

REVENUE	1977	1976
Mortgage interest.....	\$163,594,000	\$130,088,000
Loan interest	5,441,000	4,125,000
Investment income.....	8,653,000	8,321,000
Commissions and fees from estates, trusts and agencies.....	1,160,000	1,098,000
Other.....	1,466,000	1,575,000
	<u>180,314,000</u>	<u>145,207,000</u>
EXPENSES		
Interest.....	141,233,000	113,920,000
Salaries, pensions and other staff benefits.....	8,772,000	7,020,000
Property expense.....	1,907,000	1,390,000
Other expenses.....	6,458,000	4,974,000
	<u>158,370,000</u>	<u>127,304,000</u>
OPERATING INCOME BEFORE INCOME TAXES.....	<u>21,944,000</u>	<u>17,903,000</u>
INCOME TAXES		
Current.....	10,316,000	3,679,000
Deferred.....	(581,000)	4,362,000
	<u>9,735,000</u>	<u>8,041,000</u>
NET OPERATING INCOME.....	12,209,000	9,862,000
NET SECURITY GAINS AFTER APPLICABLE INCOME TAXES....	44,000	17,000
NET INCOME FOR THE YEAR.....	<u>\$12,253,000</u>	<u>\$ 9,879,000</u>
NET OPERATING INCOME PER COMMON SHARE.....	\$3.91	\$3.24
NET INCOME PER COMMON SHARE.....	\$3.93	\$3.25

Consolidated Statement of Retained Earnings for the year ended October 31, 1977

with comparative figures for the year ended October 31, 1976

	1977	1976
BALANCE AT BEGINNING OF YEAR (note 5)	\$ 40,163,000	\$ 34,106,000
NET INCOME FOR THE YEAR.....	12,253,000	9,879,000
	<u>52,416,000</u>	<u>43,985,000</u>
Deduct		
DIVIDENDS		
Preference.....	229,000	235,000
Common.....	3,966,000	3,587,000
	<u>4,195,000</u>	<u>3,822,000</u>
BALANCE AT END OF YEAR.....	<u>\$ 48,221,000</u>	<u>\$ 40,163,000</u>

Consolidated Statement of Changes in Financial Position for the year ended October 31, 1977

	1977	1976
FUNDS AT BEGINNING OF YEAR		
Cash and term deposits.....	\$ 7,128,000	\$ 6,928,000
Secured call loans.....	27,519,000	22,077,000
	<u>34,647,000</u>	<u>29,005,000</u>
SOURCES OF FUNDS		
Funds from operations (before net non-cash items of \$28,924,000 in 1977 and \$13,564,000 in 1976).....	41,177,000	23,443,000
Increase in deposits net of redemptions and withdrawals		
— Guaranteed investment certificates and debentures.....	204,341,000	197,289,000
— Other deposits.....	59,690,000	34,345,000
Issue of common shares.....		5,793,000
Issue of subordinated note.....	1,000,000	
	<u>306,208,000</u>	<u>260,870,000</u>
APPLICATION OF FUNDS		
Mortgage advances net of repayments.....	278,531,000	243,592,000
Increase in consumer and collateral loans net of repayments.....	4,771,000	5,750,000
Net increase in investment securities.....	2,333,000	387,000
Acquisition of offices and equipment.....	2,458,000	1,559,000
Dividends paid — preference.....	229,000	235,000
— common.....	3,966,000	3,587,000
Redemption of preference shares	87,000	114,000
Other.....	199,000	4,000
	<u>292,574,000</u>	<u>255,228,000</u>
NET INCREASE IN FUNDS FOR THE YEAR.....	<u>13,634,000</u>	<u>5,642,000</u>
FUNDS AT END OF YEAR		
Cash and term deposits.....	35,913,000	7,128,000
Secured call loans.....	12,368,000	27,519,000
	<u>\$ 48,281,000</u>	<u>\$ 34,647,000</u>

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these consolidated financial statements.

(a) Consolidation

The consolidated financial statements include the accounts of the company and its subsidiary companies, The Lambton Loan and Investment Company and The Lambton Trust Company, Limited.

(b) Securities

Bonds are stated at amortized cost plus accrued interest. Stocks are stated at cost.

(c) Loans

Advances to estates and trusts, consumer, collateral, and mortgage loans are stated at amounts advanced plus interest accrued or capitalized, less repayments and provisions for losses. Non-refundable holding fees and mortgage interest penalties are amortized over the term of the mortgage.

(d) Office premises and equipment

Office premises (land and buildings) acquired prior to January 1, 1977, are valued at appraised value (Note 6) as of that date with subsequent additions at cost, less accumulated depreciation and amortization. Depreciation is computed on the diminishing-balance method, at the following annual rates:

Buildings	5%
Equipment	20%
Automobiles	30%

Amortization of leasehold improvements is computed on the straight-line method over the terms of the leases.

(e) Income taxes

The companies follow the tax allocation basis of accounting for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred taxes.

Operating income before taxes includes non-taxable dividends; accordingly the apparent effective tax rate is less than the general corporate rate.

(f) Estates, trusts, and agencies

Fees from estates, trusts and agencies services are recorded as income when received.

2. SECURITIES

	1977		1976	
	Cost	Market	Cost	Market
Bonds —				
Government and Provinces of Canada —	\$86,640,000	\$82,800,000	\$80,664,000	\$75,140,000
Corporate	4,769,000	4,426,000	14,332,000	13,009,000
	<u>\$91,409,000</u>	<u>\$87,226,000</u>	<u>\$94,996,000</u>	<u>\$88,149,000</u>
Stocks	<u>\$23,746,000</u>	<u>\$28,200,000</u>	<u>\$16,918,000</u>	<u>\$21,779,000</u>

3. ASSETS HELD FOR GUARANTEED DEPOSITS

	1977	1976
Cash	\$ 20,739,000	\$ 4,250,000
Securities	59,494,000	67,140,000
Mortgages	1,662,629,000	1,382,962,000
Other loans	25,431,000	26,925,000
	<u>\$1,768,293,000</u>	<u>\$1,481,277,000</u>

4. CAPITAL STOCK

The authorized and issued share capital of the corporation was as follows:

	1977		1976	
	Number	Amount	Number	Amount
Preference shares, 5.35%				
Series A cumulative redeemable, par value \$50 each				
Authorized less redeemed	185,394		187,134	
Issued	85,394	\$4,270,000	87,134	\$4,357,000
Common shares, interchangeable, par value \$1 each				
Authorized	10,000,000		10,000,000	
Issued				
Class A	2,537,254	2,537,000	3,060,336	3,060,000
Class B	523,082	523,000		
	<u>3,060,336</u>	<u>3,060,000</u>	<u>3,060,336</u>	<u>3,060,000</u>
		<u>\$7,330,000</u>		<u>\$7,417,000</u>

The conditions attaching to the series A cumulative redeemable preference shares require that the company shall be obligated to credit \$100,000 annually to a purchase fund for the redemption of such shares.

No credit has been made to the purchase fund as at October 31, 1977 since the company had already satisfied the requirement by purchase for cancellation of sufficient preference shares (including 1,740 shares purchased for cancellation during the year).

During the year the company changed its authorized capital to ten million (10,000,000) common shares whether issued or unissued to be designated ten million (10,000,000) common shares Class A with a par value of \$1 each or, depending on the election of a holder, common shares Class B with a par value of \$1 each.

All issued common shares are deemed to be designated Common Shares A until a holder thereof elects otherwise.

The two classes of shares are fully voting, full equity shares and rank equally with respect to dividends and in all other respects. Common shares A and B are interchangeable on a one-for-one basis. The only distinction between the two classes of shares is that directors, in declaring a dividend on the Class B shares, may specify that the dividend shall be paid out of tax-paid undistributed surplus on hand in which case the company pays a tax of 15% and the shareholder receives the balance of 85% which is not subject to any further income tax in his hands or out of the 1971 capital surplus in which case 100% of the dividend is not subject to any further income tax in the shareholders' hands. The payment of these dividends on B shares reduces the adjusted cost base of the shareholders' shares.

The options on dividend payments on B shares will only be available to December 31, 1978.

5. CONTRIBUTED SURPLUS AND RETAINED EARNINGS

In prior years, the companies reported a general reserve in the shareholders' equity section in the consolidated balance sheet. This reserve represented accumulated appropriations from retained earnings and contributed surplus arising from premiums received on the issue of common shares. At October 31, the amounts were as follows:

General reserve	1976	1975
Accumulated appropriations	\$39,007,000	\$33,021,000
Premium on issue of common shares	6,493,000	979,000
	<u>\$45,500,000</u>	<u>\$34,000,000</u>

As of October 31, 1977 the accumulated appropriations from retained earnings have been included in retained earnings as disclosed in the consolidated statement of retained earnings and the premiums on issue of common shares have been classified as contributed surplus in the shareholders' equity section of the consolidated balance sheet. The 1976 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1977.

6. APPRAISAL SURPLUS

During the year the company re-stated the carrying value of its land and buildings to market value as at January 1, 1977 based on an appraisal by Egerton Associates Limited dated January 20, 1977. The resultant increase in value over net book value is recorded as appraisal surplus.

7. COMMITMENTS

- (a) Outstanding commitments at October 31, 1977 for future advances to be secured by mortgages are \$128,907,000 (1976 \$103,127,000).
- (b) At October 31, 1977 the company had contractual obligations extending through 1988 in respect of leased premises at minimum annual rentals totalling \$319,000.

8. ANTI-INFLATION LEGISLATION

The companies are subject to controls on revenues, profits, compensation to employees and dividends under the federal government's anti-inflation program and have complied with the program.

The legislation limits the amounts that may be paid as dividends on common shares to \$1.373 per share for the compliance year ending October 13, 1978.

9. SUPPLEMENTARY INFORMATION

	1977	1976
Remuneration to directors and senior officers of the company.....	\$461,000	\$476,000
Depreciation and amortization.....	<u>629,000</u>	<u>433,000</u>

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A. G. S. Griffin	Toronto
William C. Hamilton	Guelph
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*H. N. R. Jackman	Toronto
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*W. B. Lemon	Owen Sound
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Ralph W. Smith	Orillia
*R. H. Soward, Q.C.	Toronto
*G. Graham Thomson	Kingston
George E. Wallace, Q.C.	North Bay
Dr. Douglas R. Warren	Toronto
Jennings D. Young	Toronto

**Member of Executive Committee*

The Lambton Loan and Investment Company

Bert A. Logan	Sarnia
Jack K. Brown	Sarnia
Charles Kennedy	Sarnia
John S. McEachran	Sarnia
John B. McKay	Sarnia

The Lambton Trust Company, Limited

Jack K. Brown	Sarnia
John S. McEachran	Sarnia
Bert A. Logan	Sarnia
John B. McKay	Sarnia
W. Gordon Link	Sarnia

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Vice-Chairman

H. N. R. Jackman

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E. M. Malcolm

Vice-President, Administrative Services and Assistant General Manager

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Assistant Comptroller

J. S. Hutton, C.A.

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Velma Wightman, MCI

Assistant Secretary

Mae Edgar

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R. E. P. Walker, MCI

Investment Officer

P. I. D. Taylor, MCI

Supervisor—Pooled Funds

Margaret Smith MCI

Manager Data Processing

G. R. Clayton

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Vice President

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President

Jack K. Brown

Vice President

John S. McEachran

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Supervisor

A. J. Loader, MCI

Assistant Supervisor

J. A. Gordon, MCI

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Supervisor

D. J. Sargeant, MCI

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Assistant Supervisors

Sharon Scott, ATCI

J. O'Hearn, ATCI

R. P. McKeown, MCI

General Manager, Secretary and Treasurer

R. C. Puffer

Manager

R. C. Casselman

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G. E. Phelps
Norma E. Service

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V and G Branch Offices

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14 Erie Street South
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SARNIA (Main)
191 Front Street North
G. PYLE, ATCI

Northgate Plaza
560 Exmouth Street
E. WEBB

WALLACEBURG
541 James Street
J. G. BROWN

WINDSOR*
Dorwin Plaza, 2511 Dougall Road
J. ZINGER

Administrative Offices

Head Office:
165 Kent St. W., Lindsay

Executive Office:
2990 Commerce Court West
Toronto

Accounting & Executive Office:
1 Ontario St., Stratford

Regional Offices:

Eastern Ontario:
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Central Ontario:
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*Opening early 1978

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